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Google under investigation for alleged breach of EU competition rules

The European Commission has launched an anti-trust investigation against Google after three online companies alleged that the internet giant's search functions were penalising their businesses.

By Kamal Ahmed

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The investigation comes under the Lisbon Treaty's "abuse of dominant position" powers and is the first time that Google has been targeted by the European Union.

Telegraph.co.uk can reveal that the Commission has written to Google with a series of questions over how its search functions operate and also questioned the way it sells advertising. It acted after complaints from the UK search site Foundem, a price comparison site, Ciao, an online shopping site owned by Microsoft, and ejustice.fr, a French site which details legal cases and solicitor services.

Foundem claims that Google, which has a 90pc share of the search market in the UK, has penalised the site with a "search penalty" on its business.

In a post last August on its site, Foundem said: "Google has always used various penalty filters to remove certain sites entirely from its search results or place them so far down the rankings that they will never be found.

"Whereas these penalties used to be reserved for spam, or sites caught attempting to cheat Google's algorithms, they are now increasingly targeted at perfectly legitimate vertical search and directory services.

"It may not be coincidence that, collectively, these services present a nascent competitive threat to Google's share of online advertising revenues."

Foundem claims that Google lifted the "penalty" in December, resulting in an increase in traffic from Google searches of "10,000pc overnight".

Google has dismissed the claims, saying that its search algorithms are aimed at pointing people to the best sites and that it does not pick and choose favourites. Company sources argued that Foundem struggled on Google search because it had little original content.

In a post published on Wednesday morning, Google said: "We've always worked hard to ensure that our success is earned the right way, through technological innovation and great products, rather than by locking in our users or advertisers or creating artificial barriers to entry."

The Commission's action marks the latest round in the increasingly acrimonious battle between Google and Microsoft which senior Google sources accuse of waging a "lobbying campaign" against the Californian firm.

Ciao was bought by Microsoft in 2008 for nearly \$500m (£324m) and is now called Ciao Bing, after Microsoft's search engine. Foundem is a member of ICOMP, an internet pressure group which receives funding from Microsoft.

A spokesman for ICOMP said that it was backed by a number of companies and was only interested in promoting transparency and fair competition on the web.



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